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Workshop for State Advisory

OPPORTUNITIES FOR FORESTRY COOPERATIVES
AS VIEWED BY
THE U. S. DEPARTMENT OF AGRICULTURE

Gentlemen: It is gratifying for me to be with you this morning for the opening of this workshop. I know we are all here out of concern for the lack of opportunity in many of our rural areas and our desire to do something about it. I can assure you that Secretary Freeman shares our concern. He has expressed his concern many times. I can assure you also that he intends to see that something is done about it. He is determined to use all the tools that the Department has at its command to bring new opportunity to rural America.

As we enter into the program of this workshop, it might be well to remind ourselves of the words of the 19th century French observer in America, Alexis De Tocqueville when he said: "The end of good government is to ensure the welfare of the people, not merely to establish order in the midst of their misery." These words have special meaning for us in our concern for the underprivileged portion of our Nation's population. The principle expressed here has dramatic application in the newly launched programs for Rural Areas Development and Economic Opportunity.

Address by Frank W. Hussey, Assistant to the Secretary of Agriculture, at the Workshop for State Advisory Groups on Forestry Cooperatives at Denver, Colorado on September 14, 1965 at 9:00 a.m. (MDT)

It is almost inconceivable that there should be a lack of educational and socio-economic opportunity in a countryside that has produced an abundance of food and fiber never before seen in the world. But, you are all aware that this is the case. I need not quote statistics to you to illustrate that unemployment is too high, that average incomes are too low, and educational attainment throughout our rural areas is sub-standard.

President Johnson has said, "It is time that the Department of Agriculture, which has served the farmers, ranchers, and the consumers of America so well for over a century, assume a full leadership role within the Federal Government to help rural America, as a whole, attain its rightful place within the Great Society." He has described our goal as "parity of opportunity for rural America in every aspect of our national life."

This means that we must do all that we can to help rural people improve their economic and social standards. Now comes the question: "How is this to be done; what approach should we take?" While there may be many variations, there are really only two general approaches that we can take.

One approach is through public programs for direct aid. This approach is costly and is not readily acceptable to the American people or the American Congress.

The other possible approach is through self-help by local people -- with appropriate assistance from State and Federal sources. This, to us in the Department of Agriculture, seems most logical. It is the only approach that will maintain productive and prosperous rural families and preserve our heritage of individual initiative. This is the approach we have chosen. It is the approach on which the Department's Rural Areas Development program is based.

In employing this approach, we have many tools at our disposal. Most of them come under the general headings of technical assistance, cost sharing, credit, and education. There are also a number of ways that rural people can use the tools that are provided. Let me mention only two. One of these is through the formation of Rural Areas Development Committees and the development of over-all economic development plans. The other way is through cooperatives. This, I believe, holds the greatest promise of all for improving the local economy and helping the rural people. I believe this very strongly. That is one reason for my being here today.

At this point, I would like to read a short passage from Secretary Freeman's "Policy Statement on Cooperatives."

"Cooperatives help farmers and ranchers to improve their bargaining position. As they cooperate with each other to gain mutual advantage and protection through self-help, they strengthen the American system, and enhance the benefits that it provides to the general public.

"The USDA will therefore accept fully its responsibility to encourage the growth of cooperatives and through its various agencies provide research, educational and advisory services that will help to strengthen cooperatives in all appropriate activities in the interest of their members and the general welfare."

I would like to comment that one of the best ways for farmers to improve their bargaining position and their general welfare is by improving and pooling their resources so as to assure industry or other outlets a reliable and adequate source of materials.

Secretary Freeman, in order to give direction to a national program of encouragement to cooperatives, appointed a National Advisory Committee on Cooperatives. The committee has submitted a report of observations and recommendations to the Secretary. I am happy to report that these recommendations are being implemented in good order.

The formation of State Advisory Groups on Forestry Cooperatives as recommended by the National Advisory Committee and the development of this workshop are evidence that the Department is taking the Secretary's statement seriously -- very seriously.

Let us examine briefly the nature of cooperatives and the cooperative movement in the United States. Cooperatives, by their nature are the most democratic form of economic enterprise. They are owned and controlled by their members. Operating on completely democratic principles, they afford each individual member the opportunity to take an active part in all phases of economic activity. Cooperatives provide a means of pooling resources to strengthen bargaining positions and to obtain services not readily available to the individual with limited resources. Cooperatives are well established in many sections of the United States and in many fields of endeavor. They are serving the farmer and rancher well in his struggle to improve his lot. The total volume of agricultural business handled through cooperatives in fiscal year 1962 was more than \$17 billion. The list of products and services provided by cooperatives to their members ranges through the entire gamut of modern business. In addition to marketing nearly every product that is available

to the American public, cooperatives provide, at low cost, a host of services such as: health care, housing, electricity, telephone service, credit, insurance and land management services.

A great many rural people are active in cooperatives. They understand and trust them as a way of doing business. What better vehicle could there be for helping rural people to help themselves than new or expanded cooperative services?

While cooperatives have contributed much to our way of life in many fields, they have not been particularly strong in the field of forestry and forest products. Forestry cooperatives have been successful elsewhere, particularly the Scandinavian countries. Somehow they have not caught on in a big way here. I say this not to play down the role of forestry cooperatives now operating, but rather to point up the need and opportunity for increased activity. There are some successful forestry cooperatives making important contributions to the national welfare, but their number is few. Some of you here today are representing these organizations. You are a select group. May your numbers increase!

Before urging the establishment of forestry cooperatives or any other type of business or service organization, we should always ask two questions:

1. Is there a need?
2. Is there an opportunity for success?

In the case of forestry cooperatives, I believe the two can be considered simultaneously.

One important factor affecting both the need and the opportunity for success is the coincidence of low rural income with forested areas. In the counties designated by the Area Redevelopment Administration as chronically distressed, 45 percent of the land is forested. In 43 percent of the designated counties at least 50 percent of the land is wooded. A number of distressed counties have 90 percent or more of their land in forests. The so-called "Pockets of Poverty," have a high percentage of forest land.

Another factor bearing both on the need and the opportunity for success is the ownership pattern of forest land. Sixty percent of the commercial land in the 48 contiguous States is in farm and other small private holdings. The average holding of forest land in such ownerships is about 60 acres.

These owners, for the most part, have not been receiving the maximum benefits from their woodlands. Most of them have not considered or treated

their woodlands as an integral part of their total operation. They have made infrequent harvests -- in many cases, only one harvest in a lifetime. They lack timber marketing experience and usually have too small a volume to do much bargaining. Consequently, they take the first offer that is made. Marketing cooperatives could improve this situation in many localities.

Small holdings do not lend themselves well to efficient management, nor do the owners have the know-how to do the management job. Public assistance is available in some areas, but present appropriations and staffing is far below what is needed to do an adequate job. There are needs and opportunities for management cooperatives.

When we get into the field of forest management I hope you will look beyond the possibilities of timber management alone and will consider the opportunities for multiple use management. Secretary Freeman has made multiple use of all rural lands a part of the USDA program. What better place to encourage multiple use is there than in the forest land holdings. Management of forest products can bring additional and more frequent income to forest owners. Outdoor recreation continues to increase and public land facilities cannot meet

the demand. Opportunities for cooperative development of recreational facilities should be examined. The possibilities for managing and marketing special forest products such as novelty stock, Christmas trees, edible nuts, decorative materials, and wild fruits and berries should not be overlooked.

Here may be additional needs and opportunities for cooperatives.

Many forested areas have timber surpluses and could well support additional industry. Public policy may at times have discouraged the establishment of wood-using industries in some such areas. Prospective investors may have felt that they could not assure themselves of an adequate supply of raw materials. Cooperatives may well be the answer in areas such as these.

We in USDA believe that forestry cooperatives can become a potent force in the drive to improve the lot of rural people. How can they do this? Let me list some of the ways:

1. Cooperatives can bring together in a single unit sufficient resources and capital for efficient management.
2. Through coordinated management, cooperatives can provide a degree of mechanization that would not be practical for individuals.
3. Cooperatives can help encourage multiple use management of forest lands for greater returns and more frequent income.

4. Cooperatives can provide marketing advice, services, and outlets to increase the bargaining power of the individual landowners.
5. Cooperatives can supply the raw materials for new or expanded industry.
6. Cooperatives can provide employment opportunities for local residents.
7. Cooperatives can provide a source of labor to perform work related to developing, improving, maintaining, harvesting, marketing, and utilizing forest resources.

These then are ways that cooperatives can help rural people to help themselves. A logical follow-up question is: "How can we in USDA help?" I know that most of you have given much thought to this very question. Probably many of you can answer it as well or better than I. However, I believe that the opening of this workshop is an opportune time to enumerate some of the ways. Perhaps in the course of the workshop, we will be reminded of others. Here then, are some of the ways.

1. By making a general prospectus and conducting feasibility studies, we can help identify areas where cooperatives are needed and have an opportunity to succeed.

2. Where there is a need and an opportunity for success, we can encourage and assist their formation.
3. Where there is a need and efficient cooperatives are operating and handling other farm products, we can encourage and assist their expansion into the field of forest resources.
4. We can provide technical assistance for good and efficient management of forest resources.
5. Through credit and cost-sharing programs, we can help cooperatives attain economic stability.
6. We can provide advice and assistance pertaining to markets and marketing techniques.
7. We can do the research necessary to find the answers to problems and questions as they arise.

In closing, I wish to emphasize the following thoughts: the opportunities are there; the need is great. Secretary Freeman has expressed a determination that the Department of Agriculture shall help in every possible way. Let each of us resolve to do our part to "help rural America, as a whole, attain its rightful place within the Great Society."

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